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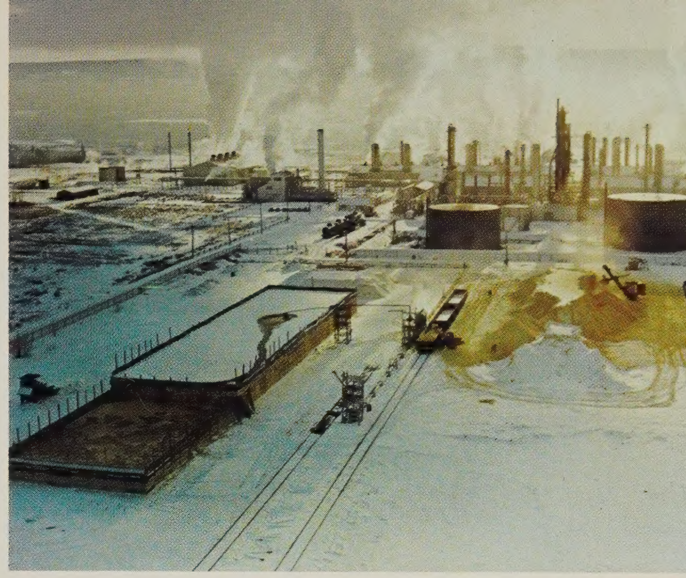
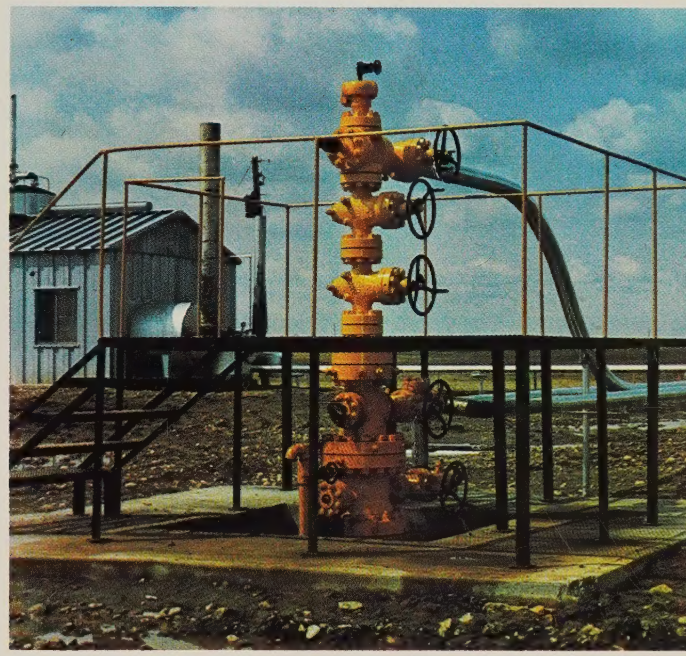
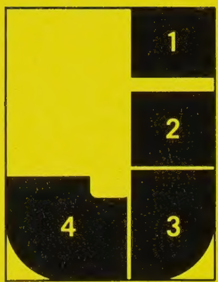


JEFFERSON LAKE PETROCHEMICALS OF CANADA LTD.



ANNUAL REPORT 1967

TENTH ANNIVERSARY



On The Cover

1. Peace River Sulphur Plant, Taylor, British Columbia
2. Wellhead Facilities in the Calgary Field, Calgary, Alberta
3. Sulphur Loading Equipment, Petrogas Plant, Calgary, Alberta
4. Sulphur Unloading Operation, Kaohsiung, Taiwan

Contents

The next Annual and General Meeting of the Shareholders of the Company will be held at the Park Plaza Hotel, Toronto, Canada on April 30, 1968 at 11:00 a.m. A formal notice of the meeting, together with a form of Proxy and Proxy Statement is enclosed with this report.

Offices

CALGARY, ALBERTA, CANADA
1000 Calgary House
550 - 6th Avenue S.W.

NEW ORLEANS, LOUISIANA 70130
1408 Whitney Building

Plants

CALGARY PLANT
Balzac, Alberta
Owned by Petrogas Processing Ltd.
Operated by Jefferson Lake Petrochemicals of Canada Ltd.

PEACE RIVER PLANT
Taylor, British Columbia

COLEMAN PLANT
Coleman, Alberta

Eugene H. Walet, Jr.

IT IS WITH THE DEEPEST REGRET AND SORROW THAT THE BOARD OF DIRECTORS OF JEFFERSON LAKE PETROCHEMICALS OF CANADA LIMITED ANNOUNCE THE DEATH ON APRIL 2, 1968, OF E. H. WALET, JR., CHAIRMAN OF THE BOARD AND CHIEF EXECUTIVE OFFICER.

MR. WALET, ONE OF THE FOUNDERS OF THE COMPANY, SERVED IT AS PRESIDENT AND DIRECTOR FROM THE DATE OF ITS INCEPTION IN 1957 AND, SINCE 1962 SUPERVISED ITS AFFAIRS IN THE ELECTIVE OFFICE OF CHAIRMAN AND CHIEF EXECUTIVE OFFICER. HE GAVE UNSTINTINGLY OF HIS TIME, HIS MANIFOLD TALENTS AND ENERGY TO THE ADVANCEMENT OF THE COMPANY'S INTERESTS.

DIRECTORS

MARSH A. COOPER
President, McIntyre Porcupine Mines Ltd.,
Toronto, Canada

W. R. DAVIS
Executive Vice-President for Operations
Occidental Petroleum Corporation

EBERHARD P. DEUTSCH*
Senior Partner, Deutsch, Kerrigan & Stiles,
Attorneys at Law, New Orleans, Louisiana

ARMAND HAMMER*
President and Chairman of the Board, Occidental
Petroleum Corporation, Los Angeles, California

H. HOWARD HAWKE*
President of Gairdner & Company Limited,
Toronto, Canada

HAROLD W. MANLEY*
President and Managing Director, Calgary, Canada
President and Director, Petrogas Processing Ltd.
Chairman of the Board, Cansulex Limited

J. ANGUS McKEE
Vice-President, The Patino Mining Corporation
Toronto, Canada;
Consolidated Tin Smelters Ltd.,
London, E.C.2 England

E. C. REID*
Director, Occidental Petroleum Corporation

LOUIS A. REZZONICO
Manager of personal investments; a director of
Occidental Petroleum Corporation

CHARLES K. SCHWARTZ
Retired Senior Partner, Gottlieb & Schwartz
Attorneys at Law, Chicago, Illinois

ROBERT A. TEITSWORTH
Vice-President and Manager, North American Exploration,
Occidental Petroleum Corporation, Bakersfield, California

EUGENE H. WALET, JR.*
Chairman of the Board and Chief Executive Officer;
President, Jefferson Lake Sulphur Company;
Executive Vice-President, Occidental Petroleum Corporation,
New Orleans, Louisiana

** Member of the Executive Committee*

OFFICERS

EUGENE H. WALET, JR.
Chairman of the Board and Chief Executive Officer

HAROLD W. MANLEY
President and Managing Director

ARMAND HAMMER
Chairman of the Executive Committee

HOWARD B. SHELTON, Senior Vice-President,
Exploration and Production

W. A. TROUGHTON, Vice-President, Counsel and Secretary

DONALD J. SHEDDEN, Vice-President-Treasurer

ROBERT A. TEITSWORTH, Vice-President

R. P. HAVELOCK, Assistant Secretary

PAUL C. HEBNER, Assistant Secretary

R. H. HIMEL, JR., Assistant Secretary

W. J. THOMAS, JR., Assistant Secretary

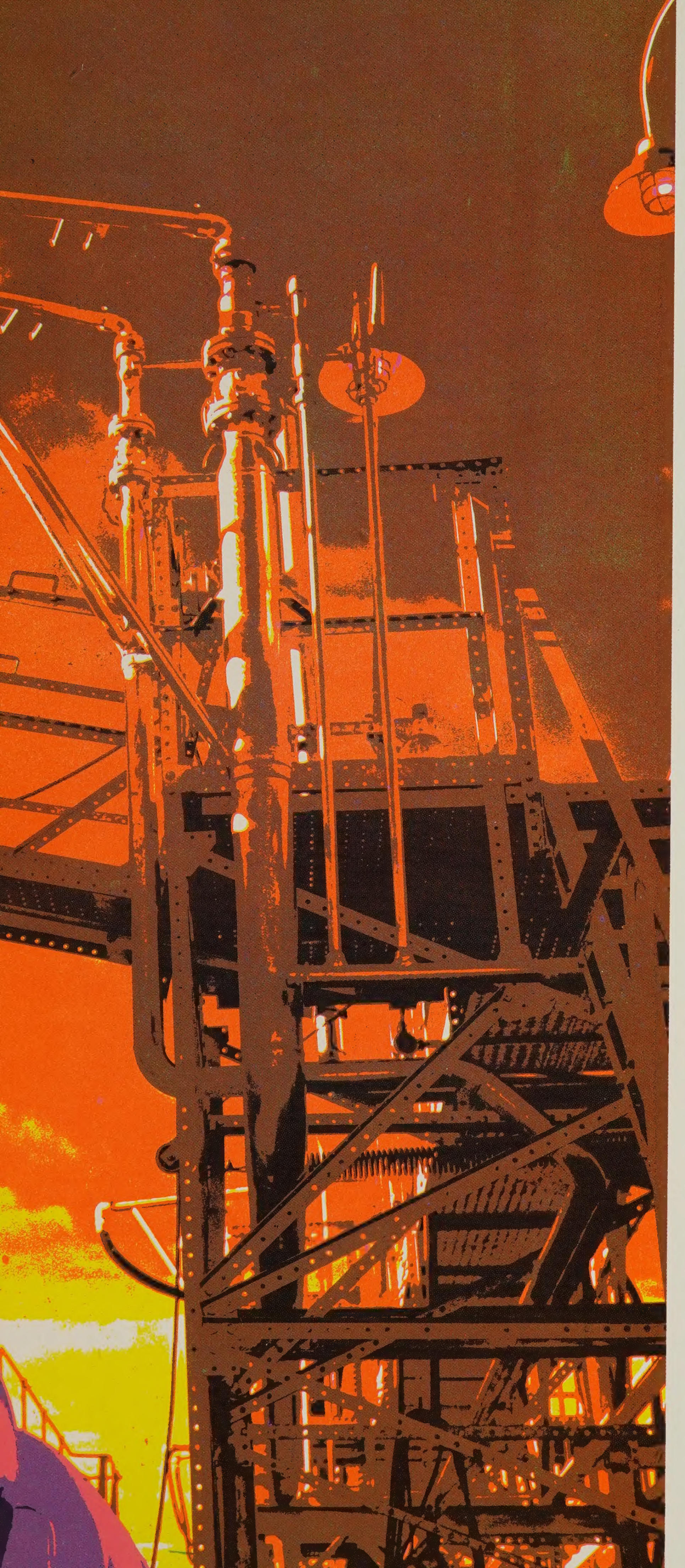
L. P. BRINK, Assistant Treasurer

D. BERTRAM, Assistant Treasurer

J. F. WILSON, Controller

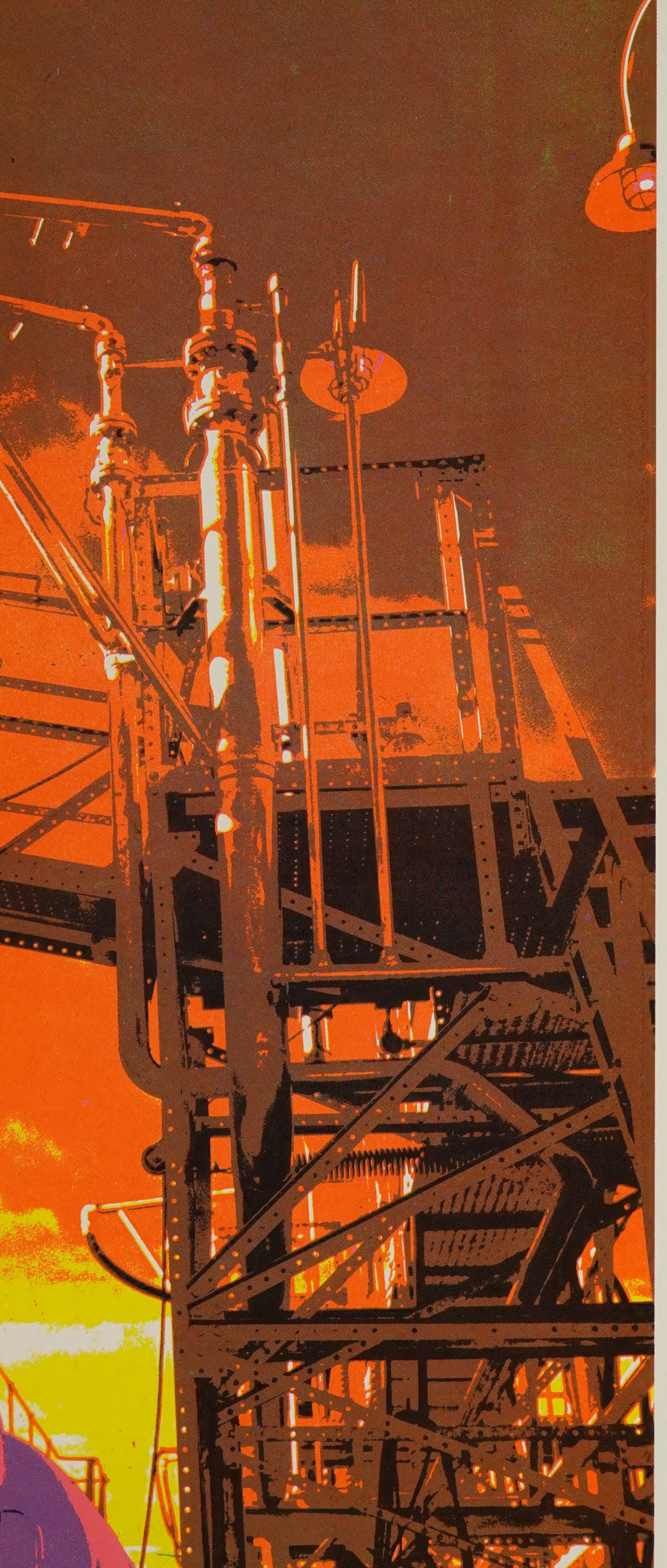
General Counsel

Deutsch, Kerrigan & Stiles
New Orleans, Louisiana



JEFFERSON LAKE PETROCHEMICALS OF CANADA LTD.

AND WHOLLY-OWNED SUBSIDIARY



JEFFERSON LAKE PETROCHEMICALS OF CANADA LTD.

AND WHOLLY-OWNED SUBSIDIARY

HIGHLIGHTS OF 1967

1) Net profits reached a record high of $4,262,836, an increase of 46% over 1966. Before non-cash write-offs, profits totalled $5,068,716.

2) Cash dividends of $1,248,017, equal to 50 cents per share were paid, representing an increase of 68% over 1966. In addition, a 2% stock dividend was distributed on January 16, 1968, to shareholders of record at December 19, 1967, having a market value of $1.15 per share on the shares outstanding at the declaration date.

3) The Company received cash amounting to $2,252,527, through the exercise of 218,547 Series "B" Warrants, and employees' stock options into common shares.

4) At year-end, the Company carried forward approximately $1,500,000 cumulated drilling and exploration costs, which are applicable against future earnings for income tax purposes.

5) Net acreage holdings in the form of leases, drilling permits and drilling reservations, having oil and gas possibilities, increased 71%, to 1,187,689 acres, during the year.

6) The Company's proportion of pipeline gas sales amounted to 12.9 billion cubic feet, an increase of 13% over 1966; and its share of sulphur production amounted to 218,188 long tons, as compared to 156,147 long tons in the previous year, an increase of 40%.

7) Your Company, organized in 1958, has, through exploration and development, established proven reserves for each 1,000 feet of net footage drilled, during the 10 year period, of: 1.23 billion cubic feet of pipeline sales gas, 28,500 bbls. of natural gas liquids and crude oil, and 13,800 long tons of recoverable elemental sulphur, exclusive of the Peace River and Coleman sulphur reserves obtained by contract processing rights.

FINANCIAL HIGHLIGHTS

			Increase (Decrease)	
	1967	1966	Amount	%
Total Revenues	$ 9,910,710	$ 7,048,087	$ 2,862,623	40.6
Net Cash Income	5,068,716	3,481,343	1,587,373	45.6
Per Share	$ 2.04	$ 1.53	$ 0.51	33.3
Net Income	4,262,836	2,924,861	1,337,975	45.7
Per Share	$ 1.72	$ 1.29	$ 0.43	33.3
Dividends Paid	1,248,017	740,799	507,218	68.4
Per Share	$ 0.50	$0.325	$0.175	53.8
Stock Dividends*	2,971,084	2,722,896	248,188	9.1
Per Share*	$ 1.15	$ 1.22	$ (0.07)	(5.7)
Working Capital	9,958,087	9,054,789	903,298	10.0
Shareholders' Equity	22,602,599	17,335,253	5,267,346	30.4

* Values at average stock market price on December 12, 1967 and June 17, 1966.

HAROLD W. MANLEY
President and Managing Director

EUGENE H. WALET, JR.
Chairman of the Board

TO THE SHAREHOLDERS AND EMPLOYEES:

Jefferson Lake Petrochemicals of Canada Ltd., in 1967, completed ten years of corporate life (1958-1967), and for the seventh consecutive year has established record highs in gross sales, cash revenues, and net profits.

Earnings and Dividends

Net earnings of $4,262,836 equivalent to $1.72 per share on the average number of shares (2,467,297) outstanding, represented an increase of 46% over net earnings of $2,924,861 for 1966. Net profits before non-cash writeoffs of $5,068,716, increased 46%, equal to $2.04 per share. At December 31, 1967, the Company's cumulative drilling and exploration costs deductible for income tax purposes in future years, was approximately $1,500,000; therefore, no income tax provision is required. Cash dividends of $1,248,017 equal to 50c per share, were paid during the year as compared to $740,799 in 1966, an increase of 68%. In addition, a 2% stock dividend, amounting to 51,725 shares, was declared on 2,586,289 shares outstanding at December 19, 1967, and distributed to shareholders on January 16, 1968. The stock dividend had a market value of $2,971,084 equal to $1.15 per share on the record date.

Revenues, Product Sales and Reserves

Total revenues from all sources in 1967 increased 41% to $9,910,710 as compared to $7,048,087 in 1966 (after mineral royalties). Sulphur sales f.o.b. plants increased 68% to $6,691,608; natural gas liquids and crude oil revenues were $752,204, a decrease of 14%; and, pipeline gas sales were $1,563,071, an increase of 6%. The Company's net income, as a percentage of total revenues, increased to 43% in 1967, compared to 42% in 1966 and 36% in 1965.

The Company's product sales for 1967 represented: a 13% increase in pipeline gas to 12.9 billion cubic feet, compared to the 1966 volume of 11.4 billion cubic feet; a 16% increase of elemental sulphur to 202,806 long tons versus the 1966 volume of 175,297 long tons; and a decrease of natural gas liquid products and crude oil to 332,637 barrels, versus 413,884 barrels in 1966. Since 1958, the first year of this Company's operations, the Company's 10-year cumulative production has been: pipeline gas 64.132 billion cubic feet; condensates 1,079,204 barrels; propane 131,678 barrels; butanes 137,512 barrels; crude oil 216,126 barrels; and elemental sulphur 1,251,031 long tons. The pipeline sales gas and condensate production started in November 1961, and crude oil production in 1963; sulphur production initially started with the Peace River plant in 1958 and at the Petrogas and Coleman Plants in 1961.

The Company's share of recoverable reserves at December 31, 1967, estimated by independent petroleum engineering firms, were: pipeline sales gas at 359.2 billion cubic feet; natural gas liquids and crude oil at 8,210,200 barrels; and, elemental sulphur at 7,717,600 long tons. Combining the production of saleable products over the first ten years of the Company's operations with the estimated proven

reserves at December 31, 1967, the Company's proven and developed reserves per net 1,000 feet of wells drilled has been: 1.23 billion cubic feet of pipeline sales gas; 28,500 barrels of natural gas liquids and crude oil; and, 13,800 long tons of elemental sulphur exclusive of the sulphur production and reserves at the Peace River and Coleman Plants obtained by contract processing rights.

Financial

At December 31, 1967, the Company had a strong working capital position amounting to $9,958,087, a ratio of current assets to current liabilities of 6.7 to 1, and reflected shareholders' equity of $22,602,599, an increase of $5,267,346 (30%) over the previous year-end. A total of 218,547 Series "B" Warrants and 11,040 employee stock options were exercised during the year for which the Company received $2,252,527. The charts included in this report show the principal growth factors of the Company over the past years.

Outlook For The Company

The Company, in 1967, continued its aggressive acquisition of prospective oil and gas land holdings in Western Canada in the form of leases, drilling reservations and permits. At year-end, a working interest was held in 3,914,940 gross acres or an increase of 1,571,748 gross acres over the year-end of 1966. Acquisitions in Southeastern Saskatchewan are in the general area where the Upper Devonian formations have been proven to be oil productive; along the middle Devonian Winnipegosis trend in Northwestern Saskatchewan; the Cretaceous gas producing area of Southeastern Central Alberta; the Beaverhill Lake prospective oil area of North-Central Alberta; and, within the Cheddarville area of North-Central Alberta where Leduc reefs constitute the main oil and sour gas producing zones.

Geophysical operations were expanded and during the year, your Company participated in geophysical operations for a total of 2,532 gross lineal miles of reflection seismic work, 4,395 gross lineal miles of detailed gravity surveys, and 250 lineal miles of magnetic surveys. Much of the reflection seismic and all of the gravity studies were concentrated within the Winnipegosis and Upper Devonian prospective oil and gas areas of Saskatchewan. The geophysical mapping interpretations of geological subsurface structures have been very encouraging and limited exploratory test drilling, and more detailed geophysical interpretations will continue through 1968.

Free world consumption of elemental sulphur in all forms, approximately 12,900,000 long tons, again exceeded production by approximately 1,000,000 long tons, further reducing world inventories of this vital natural resource. The two major sulphur producing companies in the United States, in October, 1967, placed their domestic customers on allocation percentages of their 1966 tonnage. We anticipate that increased production of sulphur over the year 1968 at the Calgary Petrogas Plant will permit re-establishment of reasonable sulphur inventories during the 1968-1970 period.

Increased deliveries of pipeline gas under long term contracts were started on November 1, 1967, to both Westcoast and Trans-Canada Pipe Line Companies from the Calgary Petrogas Processing Ltd. plant. These two gas sales contracts both have a "take or pay" feature and total a daily annual average volume of 155 million cubic feet per day, as well as "peak volume" requirement for deliveries totalling 196 million cubic feet per day. Additional proven reserves have been developed within the area dedicated to these pipeline gas sales contracts, whereby, an additional 15 million cubic feet per day sales may be delivered under these contracts. Additional development drilling within the Petrogas Plant area in 1968 is expected to increase additional pipeline gas reserves.

The Directors and Officers of your Company are encouraged by the progress of the past years and are confident that the Company will continue its growth, expansion and increases in earnings. We express appreciation to the shareholders for their confidence and support, and to the employees, our gratitude for their continued dedicated efforts which have been a major factor in the Company's success.

Respectfully submitted,

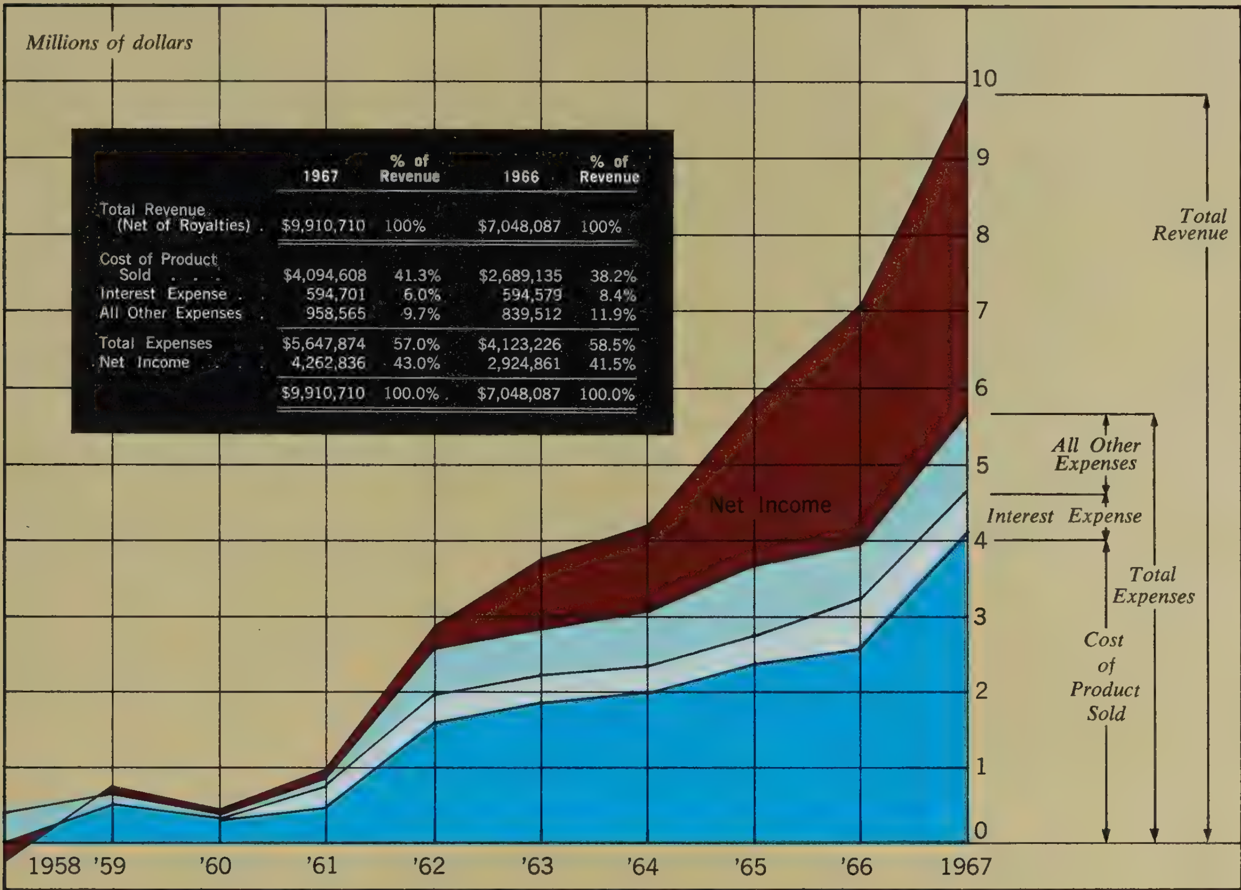
Eugene H. Walet, Jr.
Chairman of the Board.

Harold W. Manley
President.

Calgary, Alberta
April 8, 1968

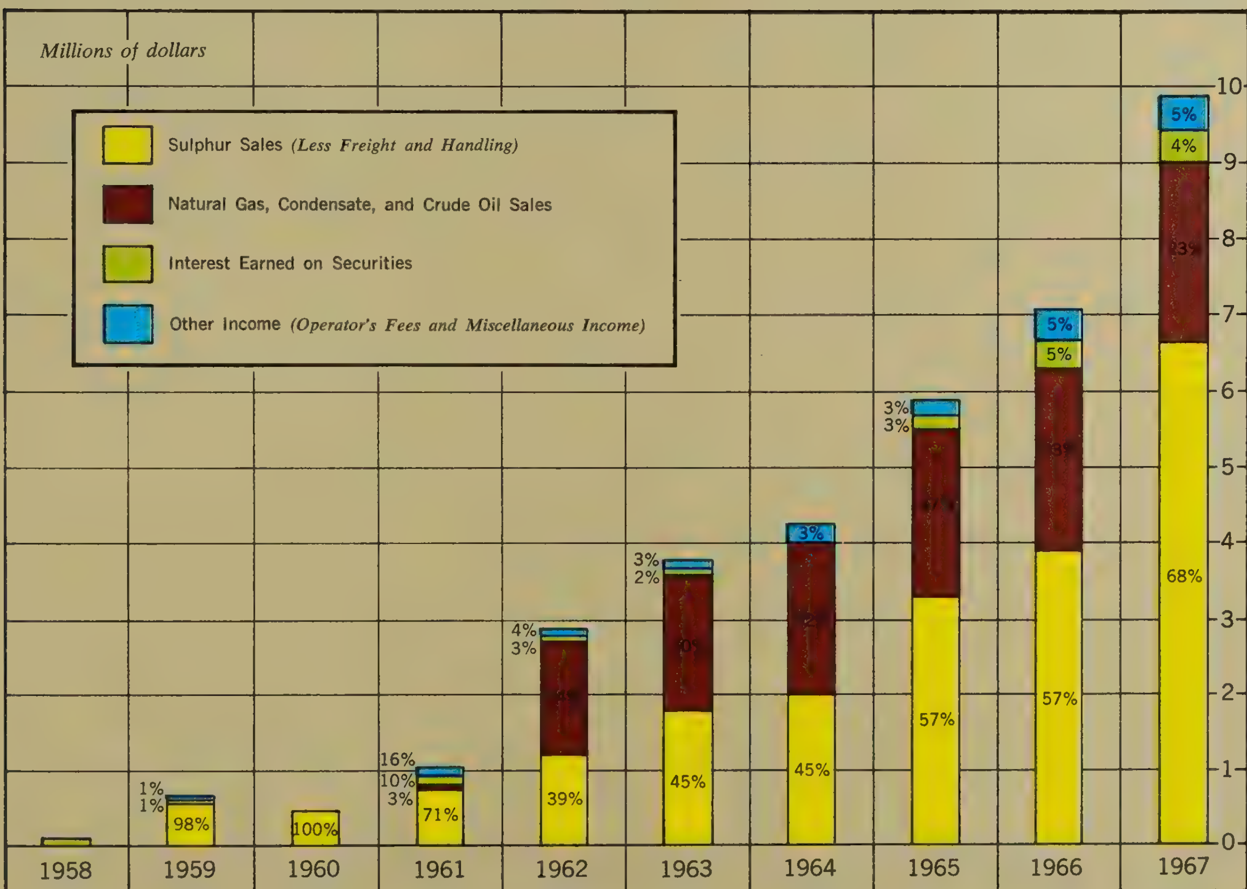
COMPANY GROWTH . . . A TEN YEAR SUMMARY

TOTAL REVENUE, EXPENSES AND NET INCOME 1958-1967



	1967	% of Revenue	1966	% of Revenue
Total Revenue (Net of Royalties)	$9,910,710	100%	$7,048,087	100%
Cost of Product Sold	$4,094,608	41.3%	$2,689,135	38.2%
Interest Expense	594,701	6.0%	594,579	8.4%
All Other Expenses	958,565	9.7%	839,512	11.9%
Total Expenses	$5,647,874	57.0%	$4,123,226	58.5%
Net Income	4,262,836	43.0%	2,924,861	41.5%
	$9,910,710	100.0%	$7,048,087	100.0%

GROSS REVENUE 1958-1967



Calgary Executive Officers: (left to right) W. A. Troughton, Vice-President, Counsel and Secretary; D. J. Shedden, Vice-President-Treasurer; H. W. Manley, President and Managing Director; H. B. Shelton, Senior Vice-President – Exploration and Production.

GENERAL REVIEW

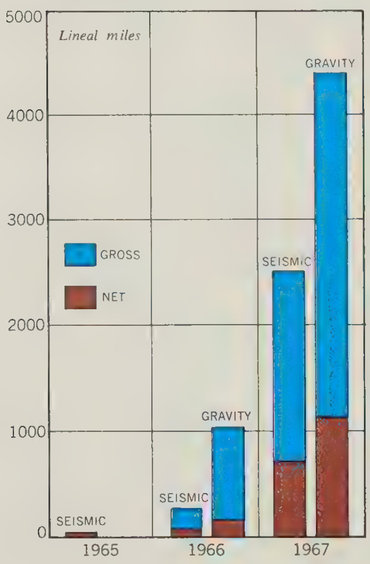
Exploration:

The Company, in 1967, continued its second year as the Manager-Operator for an oil and gas exploration joint venture program with Occidental Petroleum Corporation, in Western Canada, with an annual budget of $6,000,000 shared equally by each Company. During the year, $5,500,000 was committed to specific exploratory prospects for the Jeff. Lake-Oxy joint venture operation within the Provinces of Alberta, British Columbia, and Saskatchewan. The principal divisions of the total committed joint venture costs were: (a) land acquisition and lease rentals at 25%; (b) geophysical at 29%; (c) exploration and drilling at 39%; and, (d) well completion costs at 7%. In addition, this Company, as the Manager-Operator of exploration developments within the Calgary sour gas area, continued an active drilling program for itself and 25 other non-operator Companies, for a total gross expenditure of $3,879,500 during 1967. The net expenditures and approved projects for the Company, in its exploration and development program for 1967, were approximately $3,900,000.

EXPLORATION AND DEVELOPMENT

The 1967 geophysical operations reflected the initial exploratory phase resulting from the acquisition of probable oil and gas unexplored acreage holdings obtained over the past two years. Much of the reflection seismic and all of the gravity studies were concentrated within the Winnipegosis and Upper Devonian oil and gas prospective areas of Saskatchewan. Geophysical expenditures for the Jefferson Lake-Occidental team totalled $1,536,000 during the year. Your Company participated in geophysical operations for a total of 2,532 gross lineal miles of reflection seismic, 4,395 gross lineal miles of detailed gravity surveys, and 250 gross lineal miles of magnetic surveys. Jefferson Lake was the Manager-Operator for 1,093 gross miles of the reflection seismic operation, 1,375 gross miles of gravity studies, and for all of the magnetic survey program.

GEOPHYSICAL



Acreage Holdings:

Based on geological studies, new acreage holdings for oil and gas operations were acquired during 1967 in the following areas: Southeastern Saskatchewan where the Upper Devonian formations have been proven to be productive within the trend in which our acreage is located; in the Cretaceous gas producing area of

Province Developed and Undeveloped	Gross Acres Joint Interest	Gross Acres Operated by Jefferson	Gross Acres Operated by Other Companies	Jefferson-Occidental Joint Venture Gross Acres	Jefferson Total Net Acres
DEVELOPED LAND:					
Alberta	67,592	61,632	5,960	640	28,479
British Columbia	640	640	Nil	640	192
Saskatchewan	980	980	Nil	Nil	536
Manitoba	Nil	Nil	Nil	Nil	Nil
Sub-Total	69,212	63,252	5,960	1,280	29,207
UNDEVELOPED LAND:					
Alberta	456,850*	323,025	133,825	359,081	141,999*†
British Columbia	22,446*	8,929	13,517	22,446	6,314*
Saskatchewan	3,344,930	1,590,516	1,754,414	3,341,870	999,418*†
Manitoba	21,502	21,502	Nil	21,502	10,751
Sub-Total	3,845,728	1,943,972	1,901,756	3,744,899	1,158,482
GRAND TOTAL	3,914,940	2,007,224	1,907,716	3,746,179	1,187,689

* Includes lands held by Crown Reservation, Drilling Reservation or Permits of which approximately 25% to 50% may be retained as leases.

† Includes lands held under option from others.

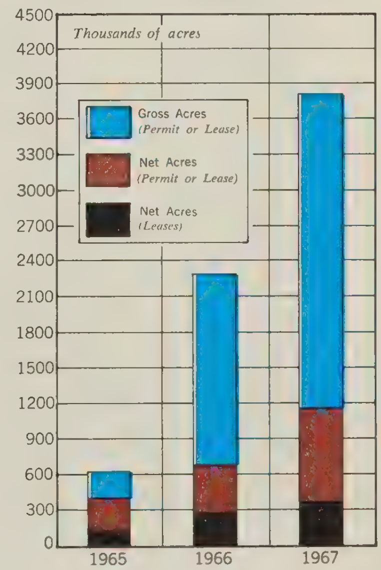
Southeastern Central Alberta; within the Beaverhill Lake oil prospective area of North-Central Alberta; and, within the Cheddarville area of North-Central Alberta where Leduc reefs constitute the main prospective oil and gas producing zones. Further acquisitions were made, mostly in Northwestern Saskatchewan along the middle Devonian Winnipegosis trend.

The Company's total gross acreage land holdings increased by 67% from 2,343,192 at December 31, 1966, to 3,914,940 at December 31, 1967, with the result that the net acres of land holdings increased by 71% to 1,187,689 acres, as compared to 692,827 acres last year. The net acreage total for the Company is the sum of 29,207 developed and 1,158,482 undeveloped acres. Occidental participated with your Company in approximately 96% of the undeveloped acreage acquisitions in 1967.

The table above sets forth, by Province, the gross acres in which the Company has varying working interests; the gross acres operated by this Company and by other Companies; the gross acres in which Jefferson Lake and Occidental have equal varying working interests; and the Company's net acreage position as of December 31, 1967.

The above-noted land holdings of your Company compares to its net land holdings at December 31, 1958, of only 40,500 net acres and represents a 2,835% increase in this Company's prospective oil and gas land holdings in the first ten years of its corporate life.

ACREAGE HOLDINGS



Exploratory and Development Wells Drilled:

The Company participated in joint venture drilling and completions for a total gross of 36 exploratory and development wells in 1967, representing a gross footage drilled of 226,219 feet, of which 81,258 feet were net to Jefferson Lake, equal to 35.9% of the total gross footage. Our Company was the Manager-Operator of exploratory and development wells equal to 116,987 feet of exploratory wells, and 76,739 feet of development wells, or 85.6% of the total gross joint

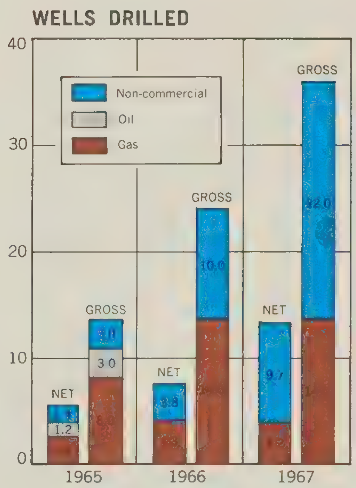

Seismic rig drilling shot hole.


Cable layout and recording truck prepared for shot.


Detonation of charge in shot hole to generate seismic reflections from subsurface formations.


Interior view of recording truck.

Exploration Department (left to right) seated: R. P. Havelock, Assistant Counsel and Assistant Secretary; G. Macauley, Manager of Exploration; C. R. Mikkelborg, Land Manager; standing: D. F. Christensen, Chief Geologist; C. K. Stackhouse, Manager – Administrative Services; J. K. Morrison, Chief Geophysicist.



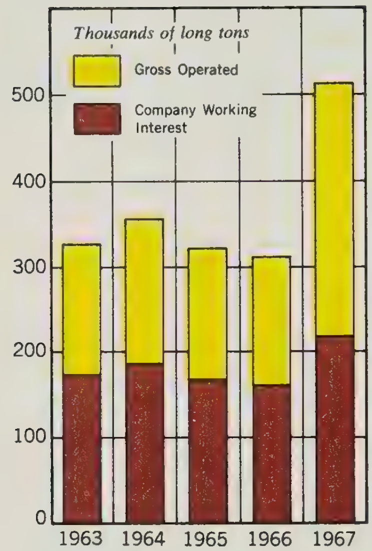
venture wells drilled. The average depth of the exploratory wells was 5,660 feet, and the development wells averaged 8,420 feet of depth. At December 31, 1967, there were 2 exploratory wells which are not included in the totals for the year. Jefferson Lake's interest in wells completed during 1967 was 14.453 net wells for a net expenditure of $1,754,000 for drilling and completion costs.

Two significant sour gas discoveries, one from the Devonian Crossfield zone at South Okotoks (Jefferson Lake-Occidental net interest at 50%), and one in the Devonian Leduc formation at Cheddarville (Jefferson Lake-Occidental net interest at 11.26%), resulted from the joint venture exploratory program in 1967. Two important step-out exploratory and semi-development wells were drilled to extend the Crossfield-Basal Quartz dual gas zone discovery made easterly of the Calgary Crossfield sour gas unit during 1966, and both were successful with one completion in the Basal Quartz zone (J.L.P. at 25% interest), and the other in the Crossfield zone (J.L.P. at 13.8% interest). The step-out drilling east of the Calgary Unit area has now proved recoverable pipeline gas reserves which will permit the negotiation of 25-year long-term gas sales contracts to be entered into, representing the sale of approximately 4.4 billion cubic feet per year for the joint venture participants of these newly-developed pipeline gas reserves. For the South Okotoks and Cheddarville sour gas discoveries, both of these areas will require additional exploratory drilling developments during 1968. Preliminary seismic and subsurface geological interpretations indicate that these areas may add sizeable reserves to this Company by future developments.

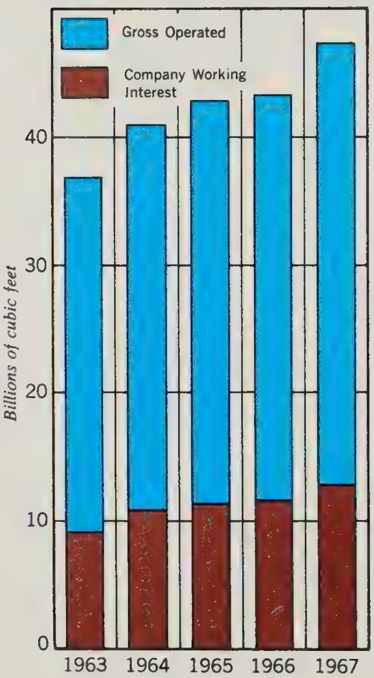
Since your Company started its operations in 1958, it has participated in joint exploration-development well drilling and completions for a total of 158 gross wells. The total gross footage drilled by this number of wells has been 1,007,893 feet, of which the Company's net footage was 343,385 feet, equal to 34.1% of the gross totals. The Company's net completed wells over the ten-year period totalled 55.9, of which 18.5 net wells were completed for sour natural gas production; 11.7 net wells were completed as crude oil producing wells; 0.9 wells for pressure maintenance operations; and, 24.8 net wells were non-commercial and subsequently abandoned. Thus, the Company has achieved a success ratio of 54%, equivalent to one commercial well for each 1.85 net wells it has participated in during the last ten years (1958-1967). For each 1,000 feet of net footage drilled by this

Production Department: (left to right) R. H. Tatham, Senior Geologist – Exploitation; R. S. Blackett, Chief Engineer; K. C. Brown, Drilling Superintendent, G. S. Horne, Production Manager; C. R. De Luca, Administrative Assistant to the President; R. B. Cowper, General Production Superintendent.

SULPHUR PRODUCTION



PIPELINE GAS PRODUCTION



Company since 1958, your Company has developed and proven 1.23 billion cubic feet of pipeline gas; 28,500 barrels of natural gas liquids and crude oil; and 13,800 long tons of recoverable elemental sulphur exclusive of the sulphur produced at the Peace River and Coleman sulphur conversion plants resulting from contract purchase rights on concentrated hydrogen sulphide gas.

Production:

New production records for the Company's working interest products were established in 1967 for pipeline gas and elemental sulphur. Natural gas liquid production declined as a result of producing higher percentages of the Company's Calgary Crossfield formation field gas into the Petrogas Processing Ltd. plant, versus the reduction of the Company's Calgary Elkton formation gas which contains approximately 13.5 times more natural gas liquid products than the Crossfield gas. Offsetting this deferment and decrease of gas liquid production for the year, the higher withdrawals from the Crossfield formation in the Calgary sour gas units have permitted greater volumes of elemental sulphur to be produced since the Crossfield gas contains approximately 33% hydrogen sulphide, whereas the Elkton gas contains approximately only 1% hydrogen sulphide.

Pipeline gas working interest production for the Company totalled 12.918 billion cubic feet, a 13.4% increase over that of 1966. The Company's working interest elemental sulphur production from the Calgary Petrogas, Coleman, and Wimborne sour gas processing sulphur conversion plants in Alberta, and the Peace River plant in British Columbia, increased by 40% to 218,188 long tons, compared to their 1966 production of 156,147 long tons. Natural gas liquid working interest production declined to 294,203 barrels, as compared to the Company's 1966 share of production of 363,619 barrels. Likewise, the Company's working interest crude oil production declined to a total of 38,434 barrels in 1967, as compared to the Company's 1966 working interest share of 50,265 barrels.

Reserves:

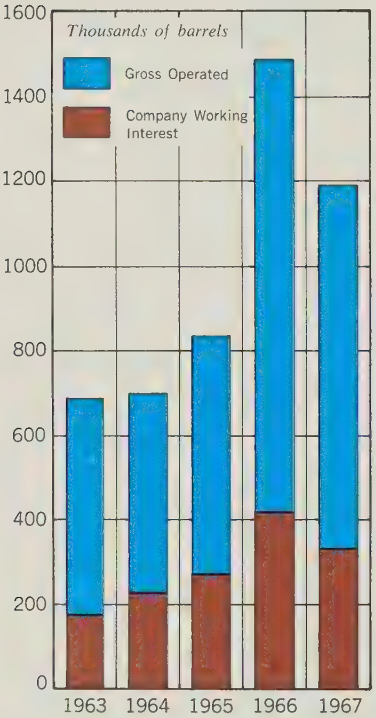
A summary of the Company's working interest production over the 10-year period 1958-1967 and a comparison of working interest product reserves at December

Vatting sulphur production from 2,100 long ton per day operation in foreground. Petrogas Plant and L.P.G. Unit recovering up to 3,500 Bbls. per day of propane and butane in background.

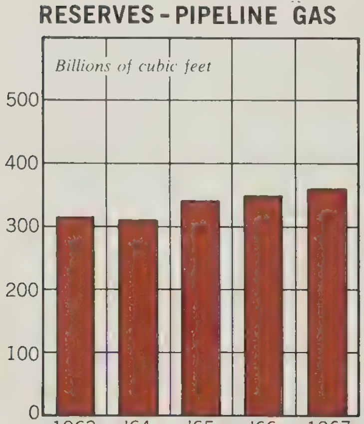
Sulphur train leaving Petrogas plant site with sulphur shipments destined for Australia and other Pacific rim countries.

Drilling a Crossfield sour gas well located in Lsd. 11, Sec. 6, Twp. 25, Rge. 28 W4., utilizing gas for drilling the production formation.

NAT'L GAS LIQUIDS AND CRUDE OIL PRODUCTION



RESERVES - PIPELINE GAS



31, 1958 versus December 31, 1967 (as estimated by our staff and independent reservoir engineering firms) is as follows:

(a) Pipeline gas reserves have increased to 359.2 billion cubic feet, as compared to 349.3 billion cubic feet at the end of 1966 after deducting the 1967 production of 12.9 billion cubic feet. At December 31, 1958, the Company's estimated pipeline gas working interest recoverable reserves were 107.8 billion cubic feet, and since 1961 (the first year of production of this product) the Company has produced and sold for its account a total of 64.1 billion cubic feet to the United States and Eastern Canadian markets.

(b) The Company's total net gas liquids and crude oil reserves increased to 8,210,200 barrels as compared to 7,954,600 barrels at the end of 1966, after deducting the Company's working interest production in 1967 totalling 332,637 barrels. On December 31, 1958, an independent reservoir engineering firm estimated the Company's recoverable reserves of these products at 1,111,000 barrels, and since 1961 the Company has produced for its account a total of 1,564,520 barrels from its developed and proven reserves.

(c) The estimated Company working interest in recoverable elemental sulphur obtained from its developed sour gas reserves is 7,717,600 long tons after taking into account the 1967 production of 218,188 long tons, as compared to the 1966 year-end estimated reserves of 7,913,600 long tons. At December 31, 1958, the Company had an estimated working interest of 4,319,000 long tons of recoverable sulphur reserves and has produced a net working interest of 1,251,031 long tons of sulphur for its working interest share in the past ten years. Also, during this 10-year period since 1958, the Company has produced for itself and its non-operating joint venture interests in plants operated by the Company, a total of 2,284,873 long tons of elemental sulphur which it sold (exclusive of current year-end inventory) for itself and its non-operating companies in the domestic North American and offshore export markets.

Gas Processing and Sulphur Recovery Plant Operations:

The sour natural gas processing and sulphur recovery plant operations for this Company, in 1967, yielded 95% of its gross revenues obtained from saleable products such as pipeline sales gas, elemental sulphur, natural gas liquefied hydro-

Manufacturing and Sales Department: (left to right) W. W. Chalmers, Plant Superintendent – Petrogas Plant; L. W. R. Gobel, Traffic; R. S. Cunliffe, Assistant to the Manager – Manufacturing and Sales; J. M. Hollicky, Manager – Manufacturing and Sales; C. R. Rasmussen, Plant Superintendent – Coleman Plant; J. Shaw, Plant Superintendent – Peace River Plant.

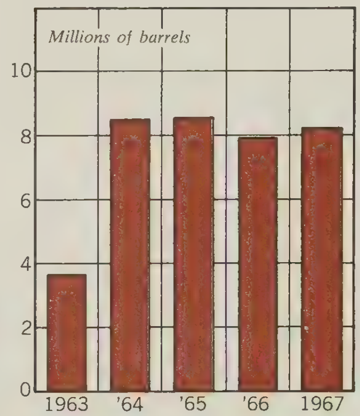
carbon products; and from management operating fees. The importance of such plant performance for continued efficient operation, and our Company's economic growth, are accentuated by the fact that 62.5% of our employees (145) are directly employed in the diversified technical, operating and supervisory requirements of such plants.

Your Company operates three plants; two 100% owned sulphur conversion or manufacturing plants, one of which is located near Taylor, British Columbia, the other near Coleman, Alberta; and the 30.9% owned Petrogas Processing Ltd. gas processing and sulphur conversion plant complex near Calgary, Alberta. These operated plants have a combined elemental sulphur conversion design capacity from hydrogen sulphide gases of 2,775 long tons per day. The Calgary Petrogas Processing Ltd. gas processing plant complex is one of the largest sour gas processing plants in Western Canada in that it has a sour gas design capacity of 286 million cubic feet per day. In addition, the Company has small non-operating interests in two other Alberta sour gas processing plants located in the Wimborne field and East Crossfield sour gas field.

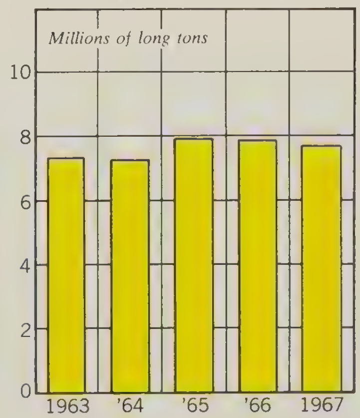
At the Petrogas Processing Ltd. Plant, performance tests have proven that this Plant has an operating capacity of pipeline gas sales of approximately 215 million cubic feet per day which compares to the peak daily design capacity of 196 million cubic feet. Due to excess operating pipeline sales gas capacity, and the fact that the Calgary gas fields have proven additional new gas reserves of another 130 to 153 billion cubic feet, active negotiations are now under consideration to add another 15 million cubic feet per day pipeline sales to the existing pipeline sales outlet contracts. Such additional gas sales deliveries will perhaps start in November 1969.

Engineering designs are being completed whereby modification of equipment at both the Peace River and Coleman sulphur plants may be installed during 1968 to increase the efficiency of sulphur recoveries at these plants. Also, engineering feasibility studies are being made for the Calgary Petrogas Processing plant complex whereby that plant's sour gas processing capacity may be increased another 50 million cubic feet per day by 1969 or 1970 due to additional prospective new sour gas reserves to be proven with exploration-development test drilling in 1968.

RESERVES-CRUDE OIL AND NATURAL GAS LIQUIDS



RESERVES - SULPHUR

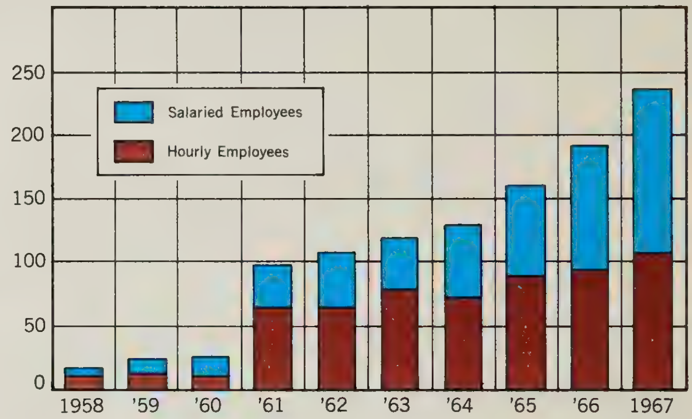


Secretarial activities in the Head Office of Jefferson Lake Petrochemicals of Canada Limited, Calgary, Alberta.

Central control room in the gas treater complex at the Petrogas plant near Calgary, Alberta.

Activity in the Geology Department at the Calgary Head Office.

NUMBER OF EMPLOYEES



A section of the general accounting offices in Calgary, Alberta.

Drafting Department activity at the Calgary Head Office.

Personnel:

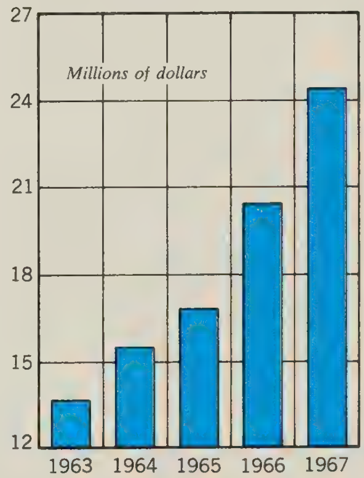
One of the important assets of a successful company and necessary for continued growth, expansion and increased earnings is its personnel comprising principally its professional, technical, and operating employees and its key supervisory staff and executive management. Since 1958, through the years of growth and expansion, the Company has increased the number of its employees as illustrated by the graph on this page. We are furnishing, as part of the Company's employee operating and supervisory staff, the personnel for the Petrogas Processing Ltd. Calgary plant complex of operations, the exploration and development personnel for the Jefferson Lake-Occidental joint venture, and part of the Coleman-Saratoga operating staff. This, together with higher individual salaries and wages, resulting from cost of living and merit increases, brought total employee costs to in excess of $2,000,000 in 1967. Salaries and wages amounted to $1,908,145 and employee benefits to $170,978 or 9% of the total. In 1966, comparable figures were $1,418,547 and $151,525.

Treasury and Accounting Department: (left to right) C. Davis, Treasury Supervisor; L. P. Brink, Assistant Treasurer – Finance; J. F. Wilson, Controller; D. Bertram, Assistant Treasurer – Accounting; J. P. Kaczmar, Supervisor – Cost Accounting; R. F. Cottrell, Supervisor – General Accounting; J. P. Bridgman, Supervisor – Production and Revenue Accounting.

Employee benefits include: comprehensive medical, hospitalization and group life insurance, initiated in 1960; a guaranteed pension plan started in 1961; and, a long-term disability plan started in 1966. An Employee Voluntary Thrift Plan, designed to encourage acquisition by employees of the Company's stock, approved by the Board of Directors, is being presented for approval by the shareholders at the Annual Meeting on April 29, 1968. Both the Company and the employee contribute to the Plan and the purchase of the Company's stock is made in the open market from time to time by the Trustee of the Plan.

These "fringe" benefits are in addition to the government statutory requirements of vacation pay, workmen's compensation, unemployment insurance, and the Federal Canada Pension.

GROSS CAPITAL ASSETS



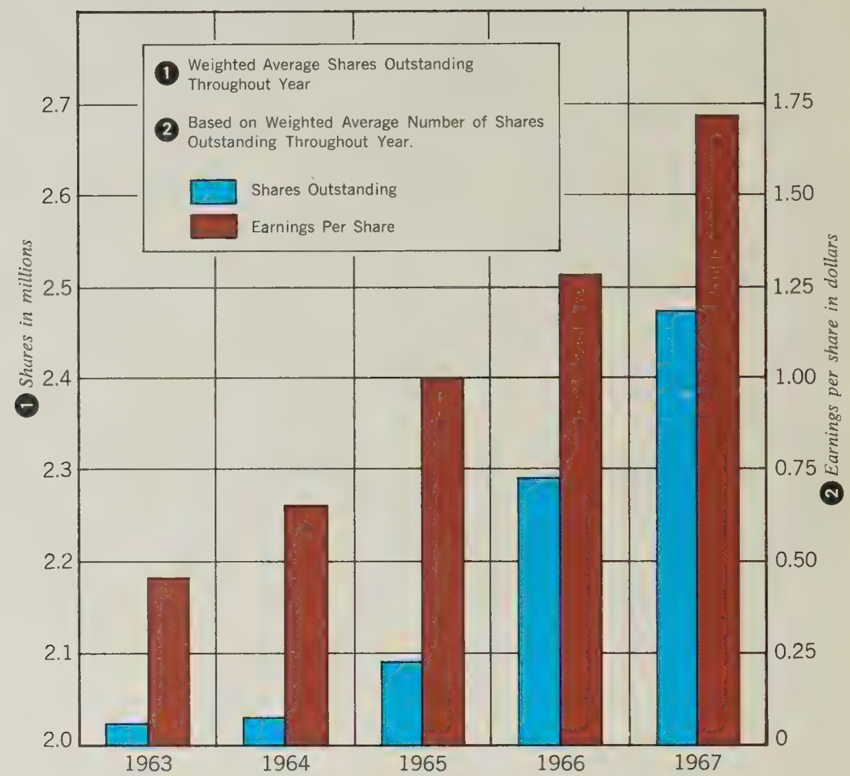
Financial Review:

In 1967, the Company's consolidated net earnings increased $1,337,975 to $4,262,836, 46% higher than the previous record set in 1966 of $2,924,861. Profits before non-cash write-offs amounted to $5,068,716 compared to $3,481,343 in 1966. Total revenues of $9,910,710 (net after mineral royalties) were 41% better than the previous year. Total expenses exclusive of production costs increased only 8% despite expansion and higher operating costs, particularly salaries and wages.

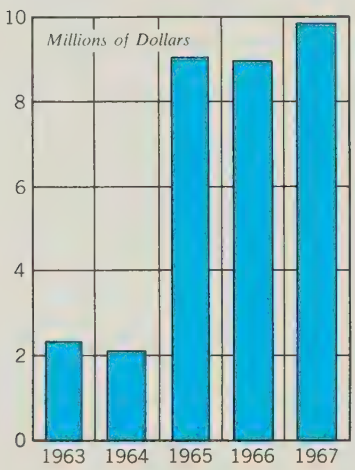
Net income in 1967 was 43% of the Company's total revenues, compared to 41.5% in 1966. The total expenses were 57% of the total revenues in 1967, whereas in 1966 such expenses were 58.5%. The Company has had a net profit in each of the nine years since its first year of operations in 1958. The first year net income of $16,000 was in 1959 when the total revenues were $698,000 and the Company's net income percentage of revenues was 2.3%, as compared to 97.7% of such revenues being expenses.

Based on the weighted average number of shares outstanding throughout the year, net income per share in 1967 was $1.72 and in 1966 $1.29. Comparable cash profits were $2.04 and $1.53 per share. If all of the Series "B" Warrants and

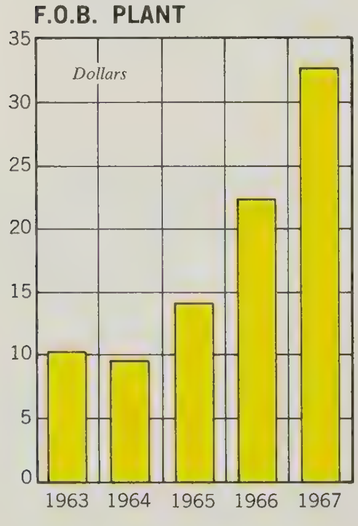
EARNINGS PER SHARE AND SHARES OUTSTANDING



WORKING CAPITAL



AVERAGE SULPHUR PRICES F.O.B. PLANT



stock options which have not been converted or exercised are considered to be outstanding, the net profit per share would be $1.66 in 1967 and $1.17 in 1966.

Because of the difficulties inherent in the costing of individual products from a gas processing complex such as Petrogas, your management this year combined total cost of products sold in the statement of income on page 20 of this report. Previously, an estimate of the cost of sulphur produced was shown separately. For inventory valuation purposes, a very conservative cost was used, substantially below market price.

Again in 1967, a stock dividend was declared, this time 2% of the shares outstanding on December 19, 1967. In 1966, a 4% stock dividend was distributed. The stock dividend in 1967 had a value equivalent to $1.15 per share based on market value on the date of declaration. Warrants and options are fully protected by anti-dilution provisions.

Cash dividends totalled $1,248,017 made up of two 10c and two 15c per share quarterly dividends. This was a 68.4% increase over the $740,799 paid in 1966, due to the increase in the amount per share from 32.5c to 50c and also the larger number of shares outstanding. During 1967, 218,547 Series "B" Warrants were exercised and 11,040 shares were issued to employees under the stock option plan, netting the Company cash in the sum of $2,252,527. A total of 2,640,558 shares were outstanding at year-end (including the 2% stock dividend actually distributed January 16, 1968), an increase of 290,532 shares, or 12% during the year.

Capital expenditures for leaseholds, drilling, exploratory work and equipment amounted to $3,930,068 during 1967; and $1,143,376 of 6½% Subordinated Debentures were purchased from Petrogas Processing Ltd. being our 30.9% proportion of the total issue sold by Petrogas to its shareholders, for the purpose of expanding the pipeline gas gathering facilities in the Calgary Crossfield gas fields. The Company was able to make these substantial capital outlays, increase the cash dividends, and at the same time actually increase its working capital by $903,298 to $9,958,087 at December 31, 1967. The ratio of current assets to current liabilities at December 31, 1967 was 6.7 to 1.0. By keeping surplus cash balances fully employed, interest income reached $412,477 for the year, better than in previous years as a result of higher interest rates obtained.

JEFFERSON LAKE PETROCHEMICALS OF CANADA LTD.

AND WHOLLY-OWNED SUBSIDIARY

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

FOR THE YEARS ENDED DECEMBER 31, 1967 and 1966

(Canadian Dollars)

	1967	1966
SOURCE OF FUNDS:		
Net income	$4,262,836	$2,924,861
Add: Depreciation, depletion, amortization and other non-cash items	805,880	556,482
Net cash income	5,068,716	3,481,343
Proceeds of common stock issued on exercise of warrants and employee stock options	2,252,527	889,814
Other	26,849	177,691
	7,348,092	4,548,848
APPLICATION OF FUNDS:		
Acquisition of fixed assets –		
Leasehold interests	1,075,089	1,916,930
Well and exploratory costs	2,606,686	1,528,678
Lease and well equipment	179,811	158,667
Sulphur plant equipment	2,820	73,329
Other equipment	65,662	120,087
	3,930,068	3,797,691
Purchase of Petrogas Processing Ltd. 6½% Subordinate Debentures	1,143,376	–
Cash dividends	1,248,017	740,799
Reduction in long-term debt	8,633	5,688
Other	114,700	61,635
	6,444,794	4,605,813
Resulting in an increase (decrease) in working capital of	903,298	(56,965)
Working capital, beginning of year	9,054,789	9,111,754
Working capital, end of year	$9,958,087	$9,054,789

JEFFERSON LAKE PETROCHEMICALS OF CANADA LTD.
AND WHOLLY-OWNED SUBSIDIARY

CONSOLIDATED BALANCE SHEET

(Canadia

Assets

	1967	1966
CURRENT ASSETS:		
Cash (Note 2)	$ 6,796,309	$ 6,873,654
Short-term investments, at estimated realizable value (Note 3)	165,357	158,438
Accounts receivable –		
Trade and other	1,631,835	1,246,831
Occidental Petroleum Corporation	667,058	438,131
Petrogas Processing Ltd.	1,401,348	823,953
Inventories –		
Sulphur, at average production cost which is below market	436,155	368,900
Tubular goods and supplies, at cost	578,481	764,518
Prepaid expenses	30,278	18,930
Total current assets	11,706,821	10,693,355
INVESTMENTS AND OTHER ASSETS, at cost:		
Petrogas Processing Ltd. (Note 4)	1,606,906	463,530
Refundable deposits and other investments	172,986	89,653
	1,779,892	553,183
CAPITAL ASSETS, at cost (Note 1):		
Sulphur extraction plants	3,640,391	3,638,738
Oil and gas properties –		
Leasehold interest and contract rights	10,865,602	9,790,513
Well costs	8,426,920	5,820,234
Well, lease and other equipment	1,480,339	1,276,031
	24,413,252	20,525,516
Less – Accumulated depreciation	1,237,693	1,105,406
Accumulated depletion	2,044,717	1,416,825
	3,282,410	2,522,231
	21,130,842	18,003,285
DEFERRED CHARGES (Note 1):		
Debt discount, premium and financing costs, less amortization of $133,648 ($106,967 – 1966)	469,156	495,838
Other	73,461	75,443
	542,617	571,281
	$35,160,172	$29,821,104

DECEMBER 31, 1967 AND 1966

rs)

Liabilities and Shareholders' Equity

	1967	1966
CURRENT LIABILITIES:		
Accounts payable	$ 1,207,191	$ 1,161,844
Accrued interest payable	247,480	248,360
Other accrued liabilities	285,966	220,481
Current portion of long-term debt	8,097	7,881
Total current liabilities	1,748,734	1,638,566
UNREALIZED GAIN ON FOREIGN EXCHANGE	–	29,813
LONG-TERM DEBT (less current portion):		
5½% notes due August 1, 1985 (Note 5)	10,769,919	10,769,919
5¼% mortgage repayable in monthly instalments of $909, including interest, to March 1, 1973	38,920	47,553
	10,808,839	10,817,472
SHAREHOLDERS' EQUITY (Note 6):		
Capital stock, common shares of a par value of $1 each:		
Authorized – 6,000,000 shares		
Outstanding – 2,588,785 shares in 1967, 2,350,026 shares in 1966	2,588,785	2,350,026
2% stock dividend declared and not yet issued – 51,773 shares	51,773	–
Capital in excess of par value, per accompanying statement	17,759,023	12,814,022
Series B warrants to purchase shares	7,099	19,021
	20,406,680	15,183,069
Retained earnings, per accompanying statement	2,195,919	2,152,184
	22,602,599	17,335,253
	$35,160,172	$29,821,104

APPROVED ON BEHALF OF THE BOARD:

________________ Director

________________ Director

JEFFERSON LAKE PETROCHEMICALS OF CANADA LTD.
AND WHOLLY-OWNED SUBSIDIARY

CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS

FOR THE YEARS ENDED DECEMBER 31, 1967 and 1966
(Canadian Dollars)

	1967	1966
Sales and other revenue:		
Gas and oil sales	$2,315,275	$2,344,470
Sulphur sales, less freight and handling charges	6,691,608	3,984,867
Interest	412,477	370,300
Other income	491,350	348,450
	9,910,710	7,048,087
Costs and expenses (Note 8):		
Cost of products sold	4,094,608	2,689,135
Selling and administrative expenses	927,696	756,034
Interest on long-term debt	594,701	594,579
Other expenses	30,869	83,478
	5,647,874	4,123,226
Net income for the year (Note 7)*	4,262,836	2,924,861
Retained earnings, beginning of year	2,152,184	2,691,018
	6,415,020	5,615,879
Less –		
Stock dividend of 2% declared December 12, 1967, issued January 16, 1968 (51,725 shares at $57.44 per share, the average market price on the date of declaration)	2,971,084	–
Stock dividend of 4% (89,100 shares at $30.56 per share, the average market price on the date of declaration)	–	2,722,896
Cash dividends paid – $.50 per share in 1967 ($.32½ – 1966)	1,248,017	740,799
Retained earnings, end of year	$2,195,919	$2,152,184
* Net income per share (based on the weighted average of number of shares outstanding during the year)	1.72	1.29
* Pro forma net income per share assuming that the warrants and stock options outstanding at the end of the year had been exercised at the beginning of the year and the proceeds had been invested at 6% interest	1.66	1.17

JEFFERSON LAKE PETROCHEMICALS OF CANADA LTD.
AND WHOLLY-OWNED SUBSIDIARY

CONSOLIDATED STATEMENT OF CAPITAL IN EXCESS OF PAR VALUE OF CAPITAL STOCK

FOR THE YEARS ENDED DECEMBER 31, 1967 and 1966
(Canadian Dollars)

	1967	1966
Balance, beginning of year	$12,814,022	$ 9,392,733
Add –		
Capital in excess of par value arising from:		
Exercise of Series B warrants and employee stock options	2,025,642	787,493
Stock dividends (2% – 1967; 4% – 1966)	2,919,359	2,633,796
Balance, end of year	$17,759,023	$12,814,022

JEFFERSON LAKE PETROCHEMICALS OF CANADA LTD.

AND WHOLLY-OWNED SUBSIDIARY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1967

NOTE 1 — ACCOUNTING POLICIES:

The consolidated statements include the accounts of the Company and its wholly owned subsidiary, Jefferson Minerals Corporation, which operates in the United States.

In accounting for oil and gas properties, the Company capitalizes all costs and expenses of acquiring, exploring for and developing oil, gas and sulphur reserves. Provisions for depreciation and depletion of the aggregate unrecovered portion of these costs (including preproduction expenses and costs of non-producing properties) have been computed on the basis of the ratio of the aggregate oil, gas and sulphur production to the aggregate estimated recoverable oil, gas and sulphur reserves.

Depreciation of sulphur plants and related equipment is provided by the unit-of-production method.

Debt discount, premium and financing costs, including such costs relating to long-term debt redeemed, are being amortized by equal annual charges over the life of the 5½% notes.

NOTE 2 — CASH:

At December 31, 1967 cash included $6,339,164 of short-term interest bearing bank deposits.

NOTE 3 — SHORT-TERM INVESTMENTS:

Short-term investments include a secured note for $200,000 (past due since August 3, 1965) of Atlantic Acceptance Corporation which was placed in receivership on June 17, 1965. Based on the latest report of the Receiver a provision of $40,000 has been made for the estimated loss on realization of this investment.

NOTE 4 — PETROGAS PROCESSING LTD.:

The Company and certain other working interest mineral owners in the Calgary field incorporated Petrogas Processing Ltd. to construct and own the field facilities and plants for processing field gas from the Calgary field for the recovery of commercial pipeline gas, condensates, liquefied petroleum gases and elemental sulphur. These facilities and plants are operated by the Company, which has a 30.9% interest in Petrogas Processing Ltd.

NOTE 5 — 5½% NOTES PAYABLE:

The 5½% notes of $10,000,000 (United States dollars) due August 1, 1985 issued to Occidental Petroleum Corporation are subject to required prepayment, without penalty, of 1/20 of the principal amount on August 1 in each of the years 1970 to 1980 inclusive, and .09 of the principal amount on August 1 in each of the years 1981 to 1984 inclusive, and to prepayment at the Company's option as specified in the Note agreements.

Under the terms of the Note agreements certain limited restrictions are imposed on the Company. Such restrictions had no practical effect at December 31, 1967.

NOTE 6 — WARRANTS, STOCK OPTIONS AND STOCK DIVIDEND:

The Series B warrants, which are not redeemable, entitle the holders to purchase common shares of the Company at prices from $10 per share to June 1, 1968 increasing annually by $1 per share to $13 per share to June 1, 1971, subject to reduction if the Company issues or sells common shares (except by way of stock dividend or option granted to a serving officer or employee of the Company) for a consideration less than the subscription price then in effect under the Series B warrants. The warrants also contain anti-dilution provisions in the event of the payment of a stock dividend.

During the year ended December 31, 1967 warrants for 227,301 shares were exercised (218,547 shares for cash and 8,754 shares under the anti-dilution provisions) and at that date warrants for an aggregate of 138,050 shares were outstanding (including 7,912 shares reserved under the anti-dilution provisions as a result of stock dividends).

Under the Company's stock option plan a total of 75,000 shares of the Company's authorized and unissued common stock has been reserved for options to be granted to executives and employees of the Company at prices equivalent to the market value on the date of the grant. At December 31, 1967, an additional 382 shares were reserved under the anti-dilution provisions of the stock option plan as a result of stock dividends. During the year ended December 31, 1967 options on 11,506 shares were exercised (11,040 shares at $5.8125 to $29.90 per share and 466 shares under the anti-dilution provisions). At December 31, 1967 options for 9,230 shares were outstanding (8,848 shares at prices ranging from $8.50 to $29.90 and 382 shares under the anti-dilution provisions).

Options for an additional 23,252 shares of stock may be granted under the stock option plan.

On December 12, 1967 a 2% stock dividend was declared to shareholders of record of December 19, 1967. On January 16, 1968, based on the shares outstanding on the record date, 51,725 shares were issued for the stock dividend. An additional 48 shares were issued under anti-dilution provisions of stock options and warrants that were exercised from the record date to December 31, 1967.

NOTE 7 — INCOME TAXES:

Under Canadian income tax law, drilling and exploration expenditures may be deducted from income in the year of expenditure or, if such expenditures exceed the income for the year, the excess may be carried forward indefinitely to be applied against the income of future years. No provision for income taxes was required for the period ended December 31, 1967 and at that date an excess of drilling and exploration expenditures of approximately $1,500,000 was available to be carried forward against any future income of the Company for tax purposes.

NOTE 8 — SUPPLEMENTARY INCOME STATEMENT INFORMATION:

Management fees—

Selling and administrative expense for 1967 included, (a) salaries and other remuneration of $73,838 paid by the Company to directors, (b) management services provided by Jefferson Lake Sulphur Company at a cost to the Company of $60,000 and (c) a fee of $1 per ton of sulphur sold on behalf of the Company by Jefferson Lake Sulphur Company.

Depreciation, depletion and amortization for 1967—

Depreciation, depletion and amortization have been charged in the accounts as follows:

Depreciation—	
Cost of products sold—	
Gas and oil	$ 40,660
Sulphur	52,944
Selling and administrative expenses	32,585
Other expenses	19,221
Other income	4,111
	$149,521
Depletion—	
Cost of products sold — Gas and oil	$627,892
Amortization of debt discount, premium and financing costs—	
Other expenses	$ 26,681

AUDITORS' REPORT

To the Shareholders of Jefferson Lake Petrochemicals of Canada Ltd.

We have examined the consolidated balance sheet of Jefferson Lake Petrochemicals of Canada Ltd. and its wholly owned subsidiary as at December 31, 1967 and the consolidated statements of income and retained earnings and source and application of funds for the year then ended. Our examination was made in conformity with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the companies as at December 31, 1967 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Calgary, Alberta
January 29, 1968

PRICE WATERHOUSE & CO.
Chartered Accountants

JEFFERSON LAKE PETROCHEMICALS OF CANADA LTD.
AND WHOLLY-OWNED SUBSIDIARY

FIVE YEAR FINANCIAL AND OPERATING REVIEW *

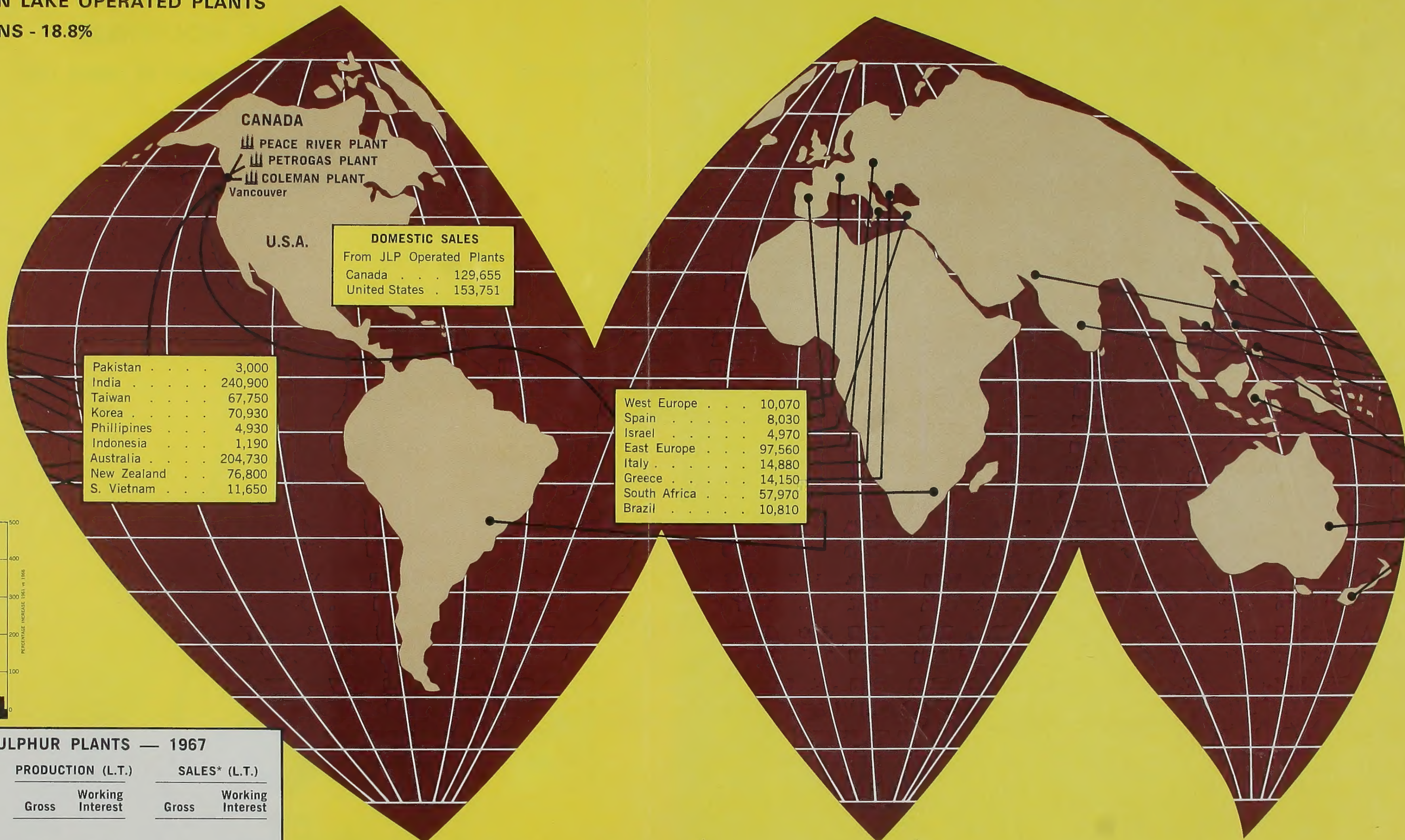
		1967	1966	1965	1964	1963
FINANCIAL DATA	Gross Operating Income	$ 9,911	7,048	5,910	4,253	3,827
	Net Income Before Special Credits	$ 4,263	2,925	2,125	1,172	819
	Per Share (Weighted Average)**	$ 1.72	1.29	1.00	.57	.40
	Per Share (Pro Forma)**	$ 1.66	1.17	0.90	0.54	0.41
	Net Income Including Special Credits	$ 4,263	2,925	2,125	1,354	933
	Per Share (Weighted Average)**	$ 1.72	1.29	1.00	.66	.46
	Per Share (Pro Forma)**	$ 1.66	1.17	0.90	0.61	0.45
	Dividend Declared Per Share	$ .50	.32½	.30	.27½	.12½
	Working Capital	$ 9,958	9,055	9,112	2,107	2,373
	Long Term Debt (Excluding Current Portion)	$10,809	10,817	10,823	4,776	4,628
	Shareholders' Equity	$22,603	17,336	14,261	11,956	11,122
GROSS PROPERTY ACCOUNTS	Lease Acquisition and Carrying Costs	$10,866	9,791	7,897	7,649	6,967
	Wells and Field Equipment	$ 8,534	6,640	5,061	4,214	3,266
	Exploration	$ 930	162	110	55	40
	Plants	$ 3,640	3,639	3,568	3,433	3,439
	Other	$ 343	294	177	152	124
		$24,313	20,526	16,813	15,503	13,836
CAPITAL EXPENDITURES	Lease Acquisition and Carrying Costs	$ 1,075	1,917	333	705	264
	Wells and Field Equipment	$ 2,018	1,620	977	857	852
	Exploration	$ 768	63	55	15	18
	Plants	$ 3	78	74	76	5
	Other	$ 66	120	32	44	77
		$ 3,930	3,798	1,471	1,697	1,216
RESERVES	Pipeline Gas (Billions of Cubic Feet)	359.2	349.3	343.7	312.3	314.5
	Natural Gas Liquids and Crude Oil (Thousands Bbls.)	8,210.2	7,954.6	8,597.0	8,493.0	3,730.0
	Sulphur (Thousands of Long Tons)	7,717.6	7,913.6	7,924	7,239	7,361
PRODUCTION	Field Gas (Billions of Cubic Feet)	20.4	16.3	15.6	15.4	13.2
	Pipeline Gas (Billions of Cubic Feet)	12.9	11.4	11.3	10.8	9.3
	Natural Gas Liquids and Crude Oil (Thousands Bbls.)	332.6	413.9	265.5	221.8	177.2
	Sulphur (Thousands of Long Tons)	218.2	156.1	161.3	184.9	172.2
SALES	Pipeline Gas (Billions of Cubic Feet)	12.9	11.4	11.3	10.8	9.3
	Natural Gas Liquids and Crude Oil (Thousands Bbls.)	332.3	414.9	264.1	221.0	176.2
	Sulphur (Thousands of Long Tons)	202.8	175.3	225.7	203.5	168.2
WELL DATA	Footage Drilled — Net	81,258	65,482	35,622	34,146	42,338
	Net Wells Capable of Production — Gas	17.1	13.0	7.6	5.2	5.1
	Oil	7.9	7.9	10.8	10.6	5.0
		25.0	20.9	18.4	15.8	10.1
LAND HOLDINGS (Leases, Reservations and Permits)	Gross Acres (Thousands of Acres)	3,914.9	2,343.2	613.1	224.3	
	Net Acres (Thousands of Acres)	1,187.7	692.8	417.7	88.9	74.3
EMPLOYEES AND SHAREHOLDERS	Shares Outstanding at December 31	2,640,558	2,350,026	2,153,210	2,041,408	2,034,188
	Shareholders (Number of Shareholders)	2,868	3,744	3,238	2,454	2,334
	Employees (Number of Employees)	232	188	157	128	109

* With the exception of per share figures, dollar amounts are in thousands.

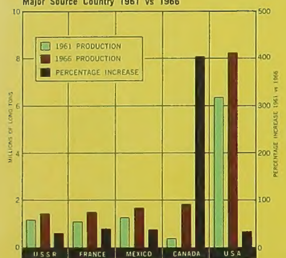
** See notes on Consolidated Statement of Income and Retained Earnings — page 20.

WORLD-WIDE EXPORT OF CANADIAN SULPHUR • 1967 *900,320 LONG TONS*

FROM JEFFERSON LAKE OPERATED PLANTS
169,133 LONG TONS - 18.8%



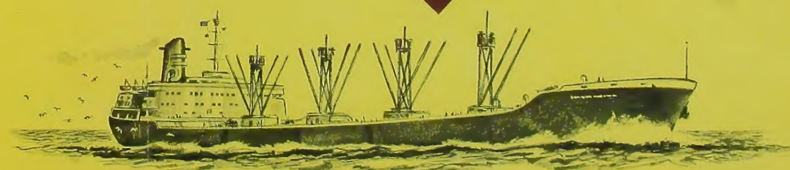
Production of Elemental Sulphur By Major Source Country 1961 vs 1966

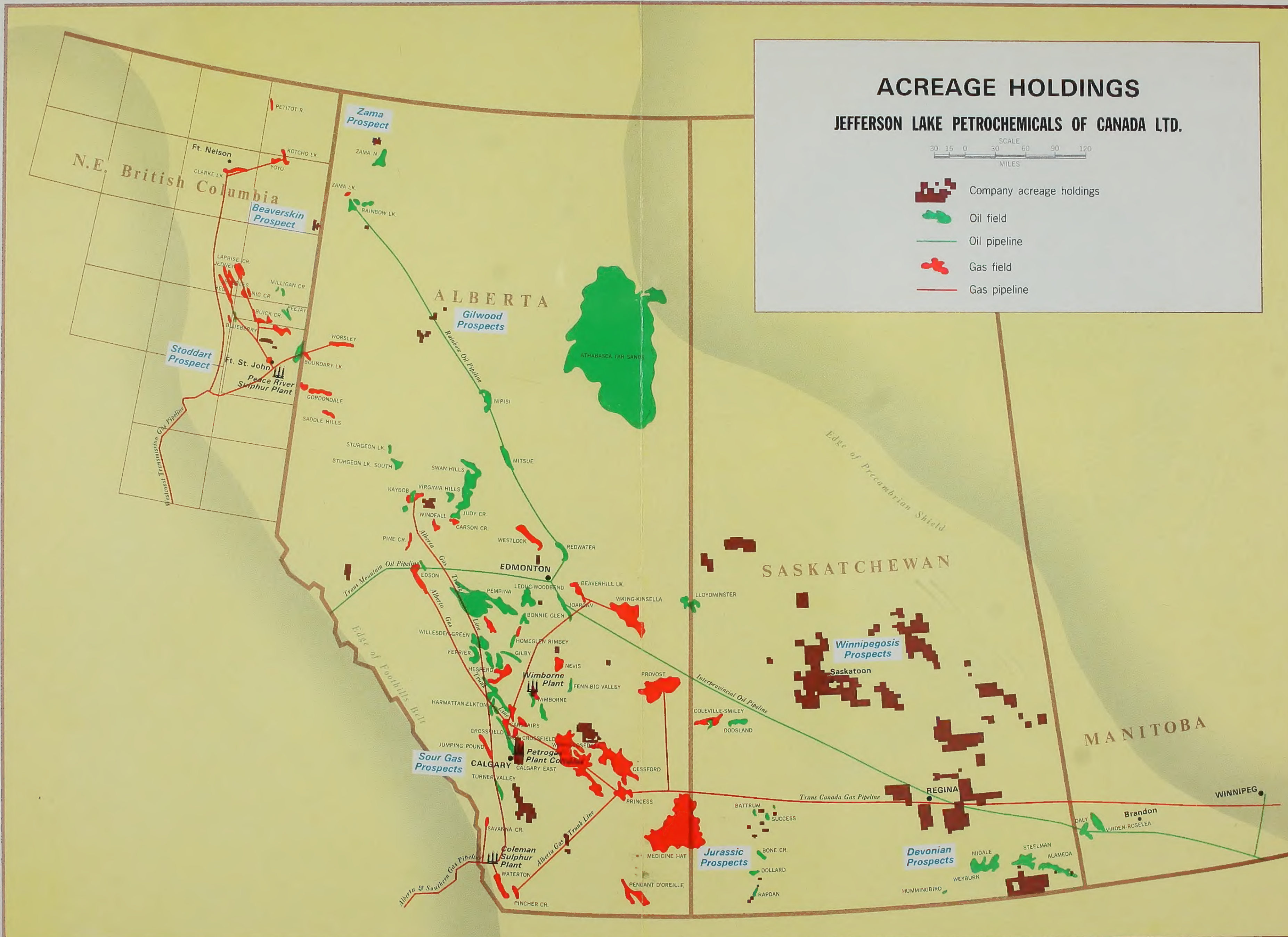


COMPANY SULPHUR PLANTS — 1967

	PRODUCTION (L.T.)		SALES* (L.T.)	
	Gross	Working Interest	Gross	Working Interest
COMPANY OPERATED				
Peace River	48,618	48,618	52,821	52,821
Coleman	29,824	29,824	30,304	30,304
Petrogas	433,479	138,750	369,414	118,848
Sub Total	**511,921**	**217,192**	**452,539**	**201,973**
NON-OPERATED				
Wimborne	–	996	–	833
Total	**511,921**	**218,188**	**452,539**	**202,806**

* Denotes Company North American and Export Sales




ACREAGE HOLDINGS
JEFFERSON LAKE PETROCHEMICALS OF CANADA LTD.
SCALE
30 15 0 30 60 90 120
MILES
Company acreage holdings
Oil field
Oil pipeline
Gas field
Gas pipeline
N.E. British Columbia
ALBERTA
SASKATCHEWAN
MANITOBA
Zama Prospect
Beaverskin Prospect
Gilwood Prospects
Stoddart Prospect
Winnipegosis Prospects
Sour Gas Prospects
Jurassic Prospects
Devonian Prospects
Ft. Nelson
Ft. St. John
Peace River Sulphur Plant
Wimborne Plant
Petrogas Plant Complex
Coleman Sulphur Plant
EDMONTON
CALGARY
Saskatoon
REGINA
WINNIPEG
Brandon
ATHABASCA TAR SANDS
Edge of Precambrian Shield
Edge of Foothills Belt
Rainbow Oil Pipeline
Trans Mountain Oil Pipeline
Alberta Gas Trunk Line
Interprovincial Oil Pipeline
Trans Canada Gas Pipeline
Westcoast Transmission Gas Pipeline
Alberta & Southern Gas Pipeline

Transfer Agents

National Trust Company, Limited
Toronto, Calgary, Montreal, Winnipeg and Vancouver

The First National City Bank
New York, N.Y.

Registrars

National Trust Company, Limited
Toronto, Calgary, Montreal, Winnipeg and Vancouver

The Chase Manhattan Bank
New York, N.Y.

Counsel

McDonald & Considine, Barristers
Calgary, Alberta, Canada

Chartered Accountants

Price Waterhouse & Co.
Calgary, Alberta, Canada

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